

Persistent Systems Limited

Nineteenth Annual Report 2008-2009



Partnering for Success



Partnering for Success

Report Junction.com

Partnership is about combining your strengths to overcome challenges. Partnership is about sharing expertise so as to arrive at answers. Partnership is about searching together to find the fastest solutions. Partnership is about focusing on core competence to earn the highest returns. Partnership is about pooling your talents to arrive at the best combination.

Business partnerships, to be profitable and lasting, demand a multitude of qualities. Responsibility and expertise form the foundation of a successful partnership. It presumes that both parties respect each other's core competence and the trust reposed. Needless to say, the partners must share a desire to leverage their enterprise to the next level of discovery and success. That demands innovation and business acumen.

Over the last decade, Persistent Systems has succeeded in forging a series of stable and fulfilling partnerships. They have yielded substantial returns, both for the customer and for the Company. But more importantly, it has provided us a chance to enhance our operations in a wide spectrum of industries. We thank all our partners for granting us that privilege. The theme of this year's Annual Report is dedicated to all those wonderful handshakes.

CORPORATE INFORMATION

Board of Directors

- Dr. Anand Deshpande, Chairman and Managing Director
- Mr. S. P. Deshpande, Executive Director
- Mr. Ram Gupta, Independent Director
- Dr. Promod Haque, Non-Executive Director
- Mr. P. B. Kulkarni, Independent Director
- Prof. Krithivasan Ramamritham, Independent Director

Company Secretary and Head - Legal

- Mr. Vivek Sadhale

Auditors

- M/s. S. R. Batliboi & Co.
- M/s. Joshi Apte & Co.

Bankers

- Bank of India
- Bank of Tokyo-Mitsubishi
- Citibank N. A.
- HDFC Bank Ltd.
- State Bank of India
- Syndicate Bank

Registered Office

'Bhageerath',
402, Senapati Bapat Road,
Pune - 411 016, India.

Contact Info

URL : www.persistentsys.com
Tel : +91 (20) 3024 2000
Fax : +91 (20) 2567 8901
E-mail : corpsec@persistent.co.in



C O N T E N T S

From the Chairman's Desk	2
Research @ Persistent	4
Highlights	5
Then and Now	6
Awards and Achievements	8
Directors' Profile	12
Green Persistent Movement	15
Persistent Systems Limited	
Report of the Directors	16
Report on Corporate Governance	29
Voluntary Secretarial Compliance Certificate	50
Management Discussion and Analysis	58
Report on Risk Management	67
Auditors' Report on Financial Statements	74
Financial Statements	78
Balance Sheet Abstract	108
Persistent Systems Limited (Consolidated)	
Auditors' Report on Consolidated Financial Statements	115
Consolidated Financial Statements	116
Section 212 Statements	145

FROM THE CHAIRMAN'S DESK

Partnering for Success



Partnerships acquired a new meaning this year. The global financial crisis had an impact this year and business slowed down appreciably after October 2008. Many of our customers reduced their budgets to brace themselves for the imminent slow-down. As customers demanded cuts and reduced rates, we decided to use this opportunity to meet our customers. Under the shadows of a slow market, we met senior executives from more than 150 of our customers.

As we were meeting senior executives, the focus of our meetings was strategic and not just tactical. We took this opportunity to ask our customers about their business and strategic plans, and how we could partner with them in the long-term. These meetings were the best thing that could have happened to us; they were silver lining in the dark clouds.

Our gesture of offering to partner in these difficult times was greatly appreciated by our customers as they shared their long-term plans.

Partnership was the clear theme that emerged from these meetings. Our customers want us to be true partners and take more responsibility of the product, from end-to-end. They value our contribution to the engineering aspects of the products but are seeking our partnership beyond just engineering.

Challenging business conditions put a strain on employees as well. I am proud to state that our employees were the true partners in these difficult times. They shared the financial burden and worked harder to meet the demands of our customers. We used this opportunity to improve internal efficiency and invested in incubating new technologies. This has improved our capability to deliver better and quality products.

Research and innovation would be critical for us to deliver cutting edge solutions for our customers. To further this cause, we established the Indiana Research Center in the School of Informatics on campus in Indiana University, Bloomington in March 2009. This center will enable us to partner with researchers from the University as we continue to deliver innovative solutions to the market.

As we are on the threshold of the twentieth year of Persistent Systems, I am pleased to report that we established 'Persistent Foundation' this year. 'Persistent Foundation' will help us to meet our Corporate Social Responsibilities better and further our resolve to be a true partner in the community we live in.

Difficult year forces introspection and it is clear that partnerships will be the way forward. I am happy to present five success stories about our partnerships in this report. They provide an idea of how we identify requirement and successfully deploy the solutions for our partners.

Markets will be back again. Having met most of our customers and having invested in building new technologies, we are very excited about the opportunities and the role Persistent will play in the next few years.

Best regards,

Anand Deshpande

Founder, Chairman and Managing Director

RESEARCH @ PERSISTENT*

Life Sciences Informatics R&D Center at Indiana University

Persistent Systems and the Indiana University, which boasts the first and the largest School of Informatics in the United States, have partnered to create a research and development (R&D) center. Located in the soon-to-be-completed incubator on the University's Bloomington, IN campus, the Persistent Indiana Research Center will further the development of informatics, specifically in life sciences, product lifecycle services, medical research, chemistry, bio informatics and computer science.

caBIG™ Initiative

- The cancer Biomedical Informatics Grid™ (caBIG™) initiative, overseen by the National Cancer Institute Center for Biomedical Informatics and Information Technology (NCI-CBIIT), was conceived to address the needs of all constituencies in the cancer community i.e. researchers, clinicians, patients.
- Persistent Systems has jointly participated in the caBIG™ program along with Washington University and has been involved in developing several caBIG™ compliant applications e.g. caTissue (Tissue banking system) which has been adopted across several centers.

Virtual Observatory India

- The Virtual Observatory India project is a collaboration between two participating

institutes i.e. Inter University Center for Astronomy and Astrophysics (IUCAA) and Persistent Systems. This project is supported by the Ministry of Communication and Information Technology, Government of India.

- Observatories that are part of the Virtual Observatory deploy different techniques, such as IR, UV, Radio, Optical etc., and are continuously scanning the sky. These observations are recorded in standardised databases.
- Research is facilitated by providing tools for visualising and analysing data from astronomy surveys. This has helped convert astronomy from being an observation problem to being a data mining problem.

Joint Research Projects

Persistent Systems is working on research projects in areas of Bioinformatics jointly with Whitehead Institute for Biomedical Research, MIT and Siteman Cancer Center, Washington University, St. Louis.

Persistent Systems helping them develop data management & analysis software for needs of their research center, such as Laboratory Information Management System, microarray data analysis, mutation profiling, Gene Connect.

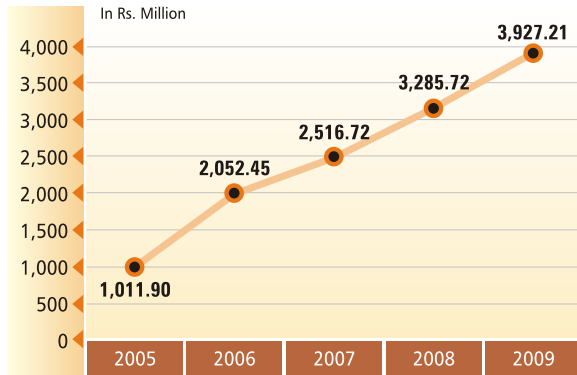


*This is the indicative list of various research activities carried out at Persistent Systems

HIGHLIGHTS*

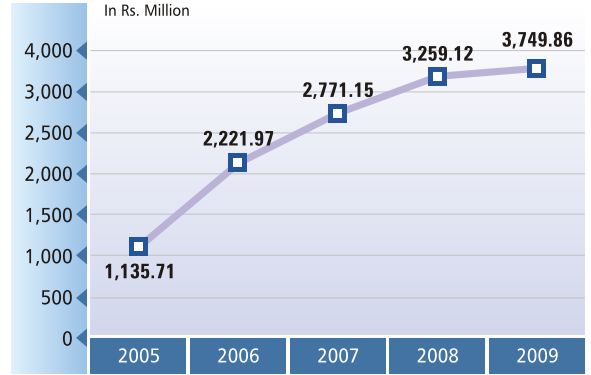
*Based on consolidated figures

NET WORTH



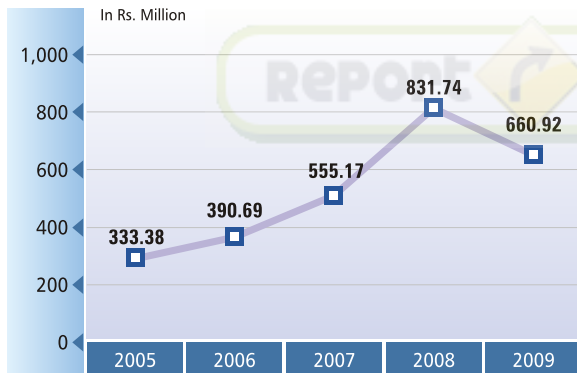
Financial year ended March 31

FIXED ASSETS



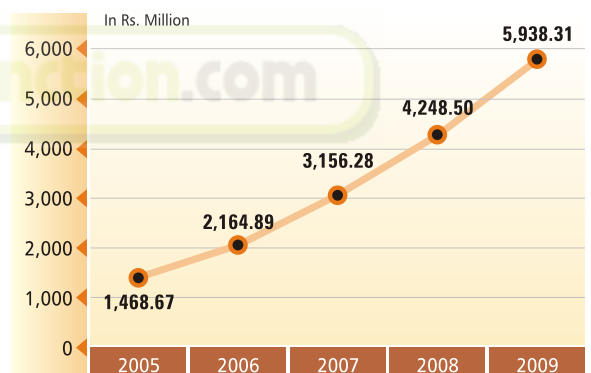
Financial year ended March 31 (including Capital work-in-progress)

PROFIT AFTER TAX



Financial year ending March 31 (after extraordinary items)

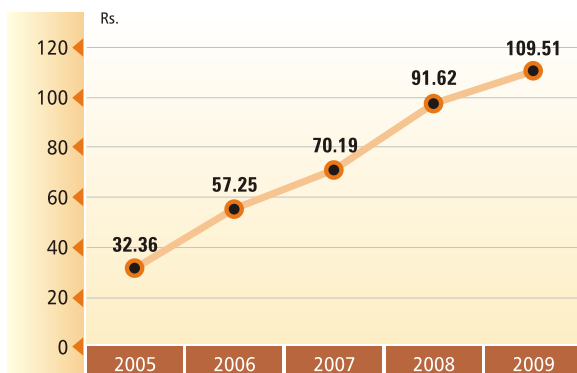
TOTAL REVENUE



Financial year ending March 31

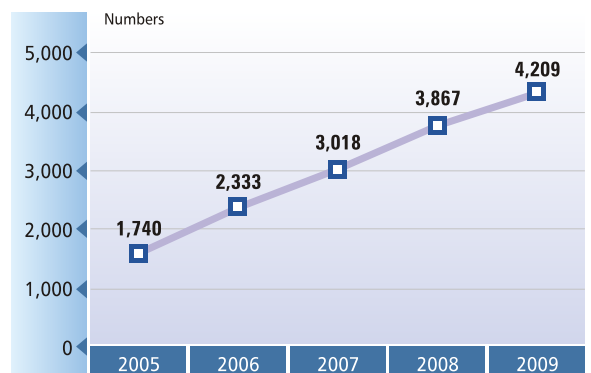
BOOK VALUE#

Adjusted effective 2005, to issue of bonus shares and conversion of preference shares into equity shares in 2008.



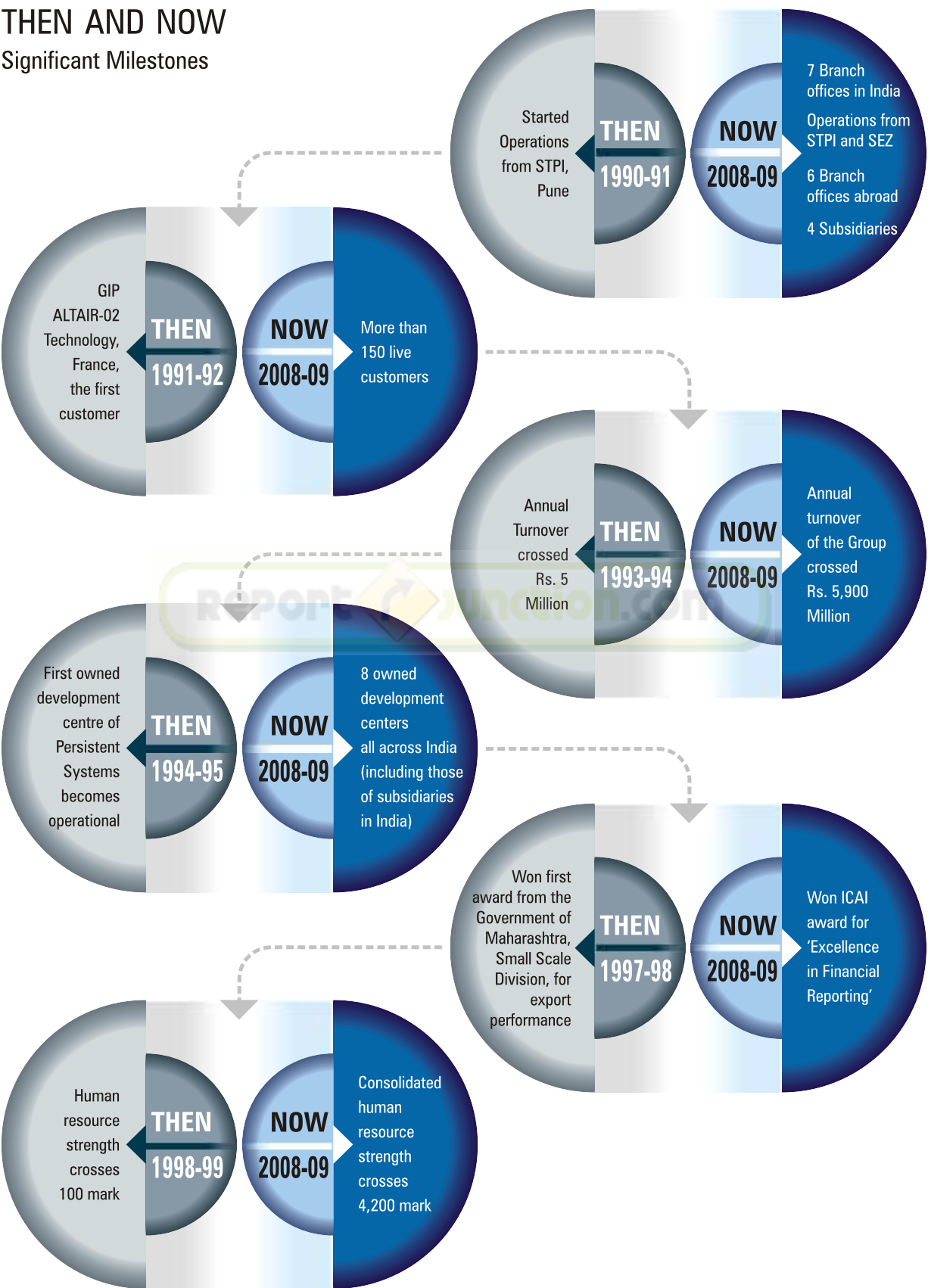
Financial year ending March 31

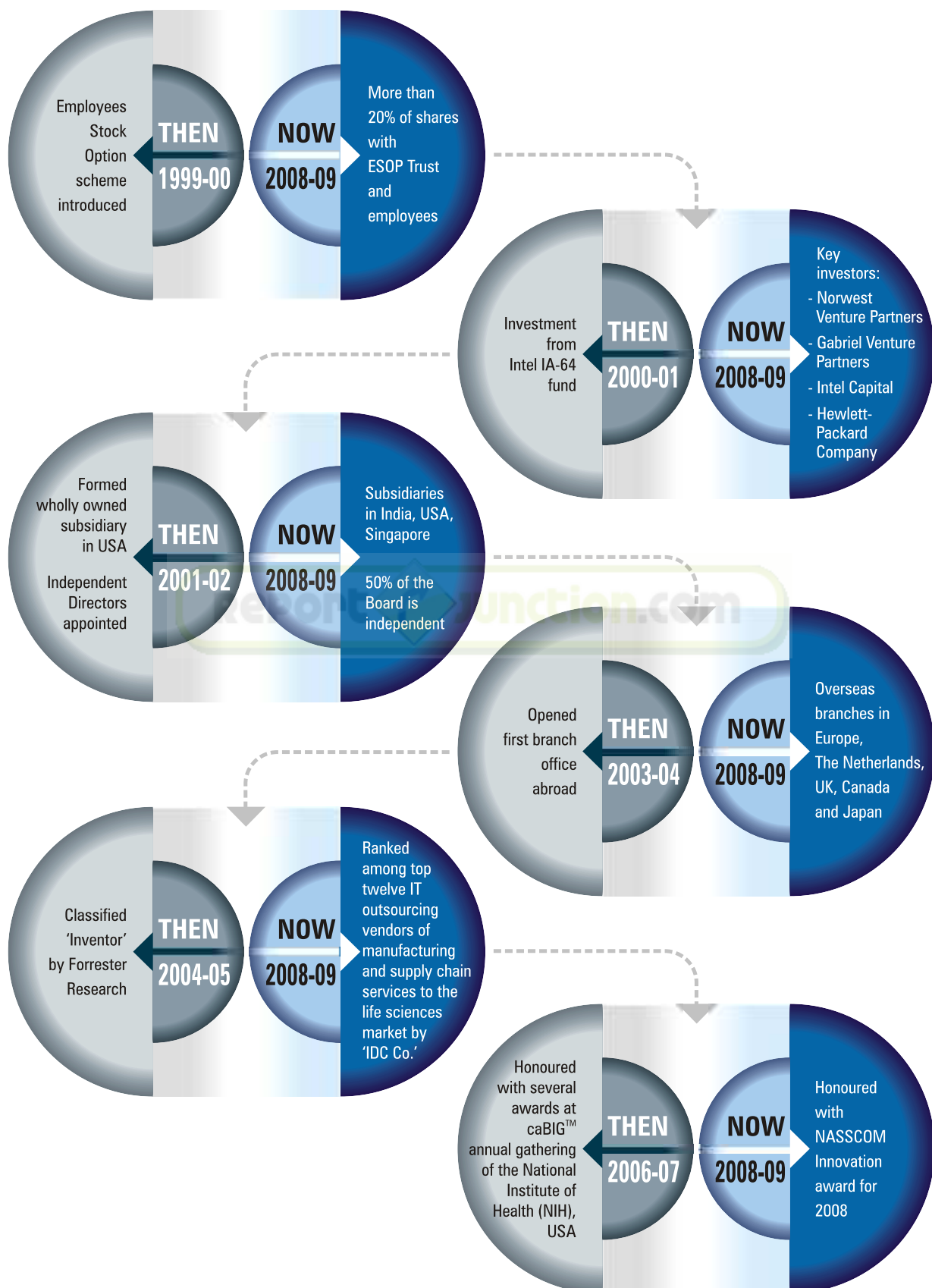
HUMAN RESOURCE STRENGTH



Financial year ended March 31 (including trainees and associates)

THEN AND NOW
Significant Milestones





AWARDS AND ACHIEVEMENTS 2008-09

NASSCOM Innovation award for 2008

Persistent Systems has won the coveted NASSCOM Innovation award for 2008 in the 'Market Facing - Business Process and Business Model' category. The NASSCOM Innovation awards is an annual event, currently in its fifth edition, and is a key initiative by NASSCOM to highlight true innovators in the Indian IT industry. The award recognises companies that have made innovation a part of their organisational DNA and used the innovation engine to reinvent their processes, marketing and product development strategies.



ICAI award for Excellence in Financial Reporting



Financial reporting in Persistent Systems' Annual Report for the year ended March 31, 2008 has been adjudged by the Institute of Chartered Accountants of

India as a commendable entry amongst the entries received under the category 'Information Technology, Communication and Entertainment Enterprises' (Category 'V').

Career Achievement award, Indiana University

Dr. Anand Deshpande received the Career Achievement award from the Indiana University School of Informatics at its inaugural Alumni Awards Banquet at Indianapolis.



The Career Achievement award is given to alumni in recognition of outstanding contributions and innovations that bring national acclaim and recognition to the field of informatics, and honor and distinction to Indiana University.

Ranked Ninth on Fast Company's Fast 50 Reader Favorites of 2008

Persistent Systems got listed as the ninth most innovative company in the world and reader favorites by Fast Company magazine readers. Fast Company was looking for companies using 'business as a force of positive change' and helping its customers and Persistent Systems was identified as a company practicing it.



Ranking by Health Industry Insights, an IDC Company



Health Industry Insights ranked Persistent Systems as a Top Twelve IT Outsourcing Vendor of manufacturing and supply chain services to the life sciences market.

Top Management Consortium (TMC) Award of Excellence 2007-08

Dr. Anand Deshpande was honoured with an Award of Excellence by TMC. The Top Management Consortium bestows awards of excellence to recognise and appreciate, contribution in specific areas like industry, trade, service industry, public administration and for offering extraordinary services to the society.

